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**CAMFLO
MINES
LIMITED**
ANNUAL REPORT
1975



CAMFLO MINES LIMITED
1975 ANNUAL REPORT

THE FRONT COVER

A dramatic view of the headframe and coarse ore bin at dawn.



Slag is cleaned from a gold bar before shipment.

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Aerial view of the surface plant after completion of the mill expansion program.

COMPARATIVE REVIEW OF 1975 HIGHLIGHTS

	1975	1974
Gross Value of Production	\$13,719,301	\$13,233,960
Tons of Ore Milled	456,123	377,521
Recovered Average Grade Ozs/Ton	0.194	0.216
Ounces Gold Recovered	88,568	81,589
Estimated Average Gold Price Received Per Oz.	\$ 155	\$ 162
Ore Reserves at Year End (Tons)	2,725,450	3,008,000
Estimated Recoverable Grade: Ozs/Ton	0.182	0.190
Working Capital at Year End	\$ 2,841,844	\$ 2,735,915
Investments at Year End	\$ 4,617,994	\$ 4,316,605
Cash Flow From Operations	\$ 4,883,035	\$ 5,692,183
Per Share	\$ 1.42	\$ 1.66
Net Income	\$ 3,759,899	\$ 4,903,009
Per Share	\$ 1.10	\$ 1.43
Dividends Paid	\$ 1,715,454	\$ 2,398,375
Per Share	\$ 0.50	\$ 0.70

CAMFLO MINES LIMITED

and its wholly owned subsidiary
Incorporated under the laws of Ontario

BOARD OF DIRECTORS

Henry Benson, Montreal, Quebec
Director, C.A.E. Industries Limited

R. Fraser Elliott, Q.C., Westmount, Quebec
Barrister and Solicitor

Robert E. Fasken, Mississauga, Ontario
Mining Executive, Chairman, United Siscoe Mines Limited

Brian A. O'Brien, Old Chelsea, Quebec
Managing Partner, Guillaume, O'Brien and Associates

George T. Smith, Toronto, Ontario
Barrister and Solicitor, President, Camflo Mines Limited

Robert M. Smith, Oakville, Ontario
Mining Engineer, President, United Siscoe Mines Limited

Arthur W. Stollery, Unionville, Ontario
Mining Executive, Chairman, Camflo Mines Limited

OFFICERS

Arthur W. Stollery — *Chairman*

George T. Smith — *President*

Robert E. Fasken — *Vice President*

Robert M. Smith — *Vice President Operations*

Kenneth E. Elrick — *Treasurer*

David Doig — *Secretary*

Dr. B. K. Meikle — *General Manager Operations*

Meredith E. Holt — *Manager of Exploration*

MINE STAFF

Mine Manager — A. Mailloux

Assistant Mine Manager — A. Makila

Chief Engineer — G. Fleming

Electrical Superintendent — D. Lalonde

Mill Superintendent — R. Jolicoeur

Production Engineer — M. Sirois

Mine Accountant — F. Vodopivec

CONSULTANT

S. C. Brown, P.Eng., Havelock, Ontario

EXECUTIVE AND HEAD OFFICE

Suite 1806, Commercial Union Tower, P.O. Box 306
Toronto Dominion Centre
Toronto, Canada M5K 1K2

MINE OFFICE

P.O. Box 640, Malartic, Quebec, J0Y 1Z0

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company
Toronto, Ottawa, Montreal

AUDITORS

Thorne Riddell & Co.
Chartered Accountants, Toronto, Canada

BANKERS

The Toronto Dominion Bank,
Toronto, Canada

SHARE LISTING

The Toronto Stock Exchange
Montreal Stock Exchange

ANNUAL MEETING OF SHAREHOLDERS

June 10, 1976, 11:00 a.m.
Tudor Room, Royal York Hotel,
Toronto, Canada

DIRECTORS REPORT TO SHAREHOLDERS

Camflo Mines Limited in 1975 entered its second decade as a successful resources organization with its major base an efficient, low-cost gold mining operation. It may be of interest to shareholders to recall what has been accomplished.

Decade of Growth

The gold mining operation in the Malartic area of Quebec commenced shipping ore in 1965 to a nearby mill for custom treatment. In 1969, Camflo completed construction of a 1,000 tons-per-day capacity milling plant and began processing its own ore. An expansion of this plant to a rated capacity of 1,250 tons per day was completed in the summer of 1975. Also completed in 1975 was a shaft-deepening program to provide access for exploration and development at greater depths. Thus your Company today has a modern surface plant and expanded underground workings at a time when many other gold producers in the world are facing operating difficulties aggravated by higher labour and supply costs and the recent reduction in the price of gold.

After ten years of production, Camflo has current proven and indicated reserves sufficient for a minimum of six years' operation and excellent possibilities of discovering new ore. An operating cost of approximately \$55 per ounce of gold produced in 1975 compared with a current world price for gold of about \$130 per ounce indicates the viability of your Company's mine.

Since start-up the Camflo mine has produced 938,424 ounces of gold having a value of \$65 million, generating net income of some \$20 million which in turn has permitted the payment of \$8.7 million in dividends to shareholders.

Through an investment made in La Luz Mines Limited in 1974 Camflo is participating in coal mining in the United States, an industry which has taken on new vigor as a result of the drive for self-sufficiency in energy in that country.

Natural gas is becoming an important asset for the Company. Since 1973, Camflo has developed a total of 18 billion cubic feet of natural gas reserves. The total capital investment to date has been less than \$3 million.

Finances

Net income in 1975 of \$3,759,899 equivalent to \$1.10 a share represents a reduction of 23% from \$4,903,009 or

\$1.43 per share in 1974. Cash flow of \$4,883,035 equal to \$1.42 a share compares with \$5,692,183 or \$1.66 per share in 1974, a reduction of 14%.

Results reflect an average price for bullion sold in 1975 of \$155 per ounce compared with \$162 per ounce in 1974. In spite of the lower price received the gross value of bullion production increased to \$13,719,301 from \$13,233,960 reflecting the larger number of ounces produced — 88,568 in 1975 as against 81,589 the previous year. Total revenue of \$13,936,333 is 5% higher than in 1974. This figure includes revenue from oil and gas of \$217,032, up from \$59,325 in 1974.

Operating and Administrative expenses increased by 30% to \$5,556,750 from \$4,290,483 in the previous year largely as a result of the greater tonnage treated. Use of additional capacity made possible by the expanded mill facilities resulted in an operating cost per ton of ore treated for the year to \$10.66, only a slight increase from \$10.12 in the previous year.

Dividends paid during the year totalled 50 cents per share, compared with 70 cents per share in 1974.

Working capital increased to \$2,841,844 from \$2,735,915 a year earlier. Shareholders' equity at \$12,802,844 is a further gain over the previous year and represents more than a sevenfold rise over the last ten years.

Operations and Outlook

The efficiency of the mine operation was demonstrated in 1975. Without any significant interruption, both mining and milling were expanded and the shaft deepened. The mill treated 456,123 tons of ore averaging 0.194 ounces of gold per ton, compared with 377,521 tons of 0.216 ounces of gold per ton in 1974. Daily average milling rate of 1,250 tons, an increase from 1,034 tons in 1974, reflects the 25% expansion. Further improvements in milling resulted in an increase in gold recovery to 95.4% from 95%.

Deferment of underground exploration and development to permit completion of mill expansion and shaft sinking resulted in a net reduction in ore reserves. At the start of 1976, total proven and indicated reserves were 2,725,450 tons of a recoverable 0.182 ounces gold per ton, compared with 3,008,000 tons of 0.190 ounces a year earlier. This is a decrease of 283,000 tons after the milling of 456,123 tons. These tonnage calculations are after 10% dilution.

The shaft was deepened from 60 feet below the 2,700 foot level to a depth of 3,365 feet. This work was carried out by

mine employees. Four new levels are being established — at 2,850 feet, 3,000, 3,150 and 3,300 feet. Cross-cuts, waste and ore passes are underway to prepare for deeper mining and for an acceleration of underground exploration later this year. Work will commence initially on the 2,700 foot level, the first below the known ore zone.

Based on current mining rates and grades of ore the Company anticipates a production of approximately 85,000 ounces of gold in 1976.

The report of the General Manager and Mine Manager covers mine operations in more detail.

Income from natural gas was \$217,032 in 1975 compared to \$59,325 in 1974 and should increase substantially as previously drilled and new wells are brought into production and plant capacities are expanded.

The acquisition by La Luz Mines Limited of Gilbert Fuel Company and Core Trucking awaits formal receipt of necessary rulings from the United States Internal Revenue Service and approval of other regulatory authorities. The original agreement covering the acquisitions in exchange for 1,039,999 La Luz treasury shares has been extended to June 30, 1976, to allow sufficient time for the necessary approvals. Shipments at the two producing coal operations involved are being expanded gradually and preliminary stripping should start soon on a third mine.

The New Brunswick coal project has reached the stage of discussions covering possible use of this coal for thermal generation of power. Camflo has a one-third direct interest in this venture, however, at the present time it is difficult to assess when any decision concerning this property can be expected.

Another exploration project of current interest is the drilling of an asbestos prospect near the town of Asbestos in Quebec's Eastern Townships.

Camflo has achieved its present position through the efforts and capabilities of its employees. Their knowledge and experience are reflected in the success of the Malartic area gold mine. The future also depends on their skills.

On behalf of the Board of Directors,

A. W. Stollery
Chairman

G. T. Smith
President

MINE OPERATIONS REPORT

To the Chairman of the Board, President and Directors:

The following report details operations of the Company's mine in the Malartic Area, Quebec, for the year ended December 31st, 1975, together with comparative statistics for prior years, where applicable.

Summary:

During the year 88,568 ounces of gold worth \$13,719,301 were produced.

The plant capacity was increased by 25% and recovery of gold was improved from 95.0% to 95.4%.

Deepening of the main shaft was completed to 3,365'.

Production:

The expansion programme was completed in March and in 1975 the mill treated 456,123 tons, an average of 1,250 tons per day. The recovered grade was 0.194 ounces of gold per ton and 88,568 ounces of gold were produced. Finer grinding, a longer agitation period and better filtering permitted an increase in recovery from 95.0% to 95.4%, even though the grade of ore treated was lower.

	1975	1974	1973
Tons of ore milled	456,123	377,521	389,622
Average recovered grade	0.194	0.216	0.251
Ounces produced	88,568	81,589	98,228

Mine Operating Costs:

The increase in production rate, for which all phases of the operation were being prepared over the last two years, resulted in greater efficiencies. Productivity improved from 10.1 tons per man shift in 1974 to 11.5 in 1975. In spite of much higher rates for labour, services and supplies, costs per ton increased by only 5.3% to \$10.66.

	1975		1974	
	Total Cost	Cost per Ton Milled	Total Cost	Cost per Ton Milled
Development.....	\$ 239,853	\$ 0.526	\$ 308,424	\$ 0.817
Mining.....	2,419,818	5.305	1,939,298	5.137
Milling.....	1,164,152	2.552	892,489	2.364
General.....	947,310	2.077	607,429	1.609
Marketing.....	89,418	0.196	71,959	0.191
Total	\$4,860,551	\$10.656	\$3,819,599	\$10.12

Summary of Ore Extraction by Levels:

Level	Tonnage	Ounces/Ton
900-1100	7,761	0.176
1100-1300	71,842	0.107
1300-1500	92,217	0.116
1500-1650	79,785	0.112
1650-1800	33,445	0.279
1800-1950	71,771	0.310
1950-2100	78,929	0.298
2100-2250	12,909	0.287
2250-2400	6,773	0.123
2400-2550	543	0.106

Mine Development:

Deepening of the main shaft to 3,365' was completed in May. This work was done by Camflo employees and the sinking was effected without interfering with the simultaneous increase in ore production. The new section of the shaft has four level stations at 2,850, 3,000, 3,150 and 3,300 and a new loading pocket and sumps at 3,200. A waste pass system has been completed from the loading pocket to the 2,700 and the ore pass system has been started.

The main cross cut to the north on the 3,150 level has been completed and east-west drifting in barren porphyry is now underway.

Diamond drilling outlined new ore along fault zones in diorite and volcanics. This was mainly between the 2,250 and 2,550 levels although one small high grade lense was discovered above the 2,100.

	1975	1974	1973
Feet of Drifting and Crosscutting	4,143	7,008	7,621
Feet of Raising	3,206	2,364	1,718
Feet of Diamond Drilling	12,318	13,468	21,771
Stopes Preparation — Feet	5,888	6,473	3,956
— Tons	21,139	9,535	25,321
Shaft Sinking — Feet	365	243	—

Ore Reserves:

Total proven and indicated ore reserves at December 31st, 1975 were 2,725,450 tons of 0.182 ounces of gold per ton. This is a decrease of 283,000 tons after the milling of 456,123 tons. Grades reported are for the estimated recoverable gold, and details of the reserves are as follows:

	Tons at Year End 1975	Tons at Year End 1974	Tons at Year End 1973
Broken Ore Underground	212,562	241,217	175,210
Stockpile Ore on Surface	3,717	6,705	2,367
Total Broken Ore	216,279	247,922	177,577
Total Broken and Drilled Off	555,551	615,842	530,550
Broken and Proven — Tons	2,008,100	1,943,250	1,822,450
— Oz/Ton	0.194	0.207	0.234
Indicated — Tons	717,350	1,064,750	808,900
— Oz/Ton	0.147	0.159	0.187
Total Proven and Indicated — Tons	2,725,000	3,008,000	2,631,350
— Oz/Ton	0.182	0.190	0.220

The tonnages reported include a 10% allowance for dilution.

Construction and Equipment Additions:

The mill expansion programme was completed on schedule and within budget.

The cone crushers on surface which were manufactured in the 1930's are currently being replaced with new equipment.

Mine Region Exploration:

The Silver Stack Mines Ltd. gold prospect near Cadillac was assessed and negotiations to acquire control were initiated. The decrease in the price of gold has prolonged these negotiations.

Three electromagnetic anomalies were drilled on optioned claims in the Amos area. Only graphite was found and the options were allowed to lapse.

General:

In 1976 development of the new levels will be continued and exploration drilling will be started.

The diligent and efficient work of the 154 employees is very much appreciated.

Respectfully submitted,

Armand Mailloux,
Mine Manager.

Brian Meikle, Ph.D.
General Manager.

Feb. 4, 1976

View of the 32 cubic yard stripping shovel at the Crown City mine in Ohio.
This mine is 50% owned by La Luz Mines Limited, a Camflo subsidiary.



REVIEW

Exploration

At the Beersville Joint Venture in New Brunswick, drilling has been completed, indicating a coal reserve in excess of 10,000,000 tons to a depth of 100 feet below surface. Testing of a bulk sample has been completed in a commercial sized generating plant and produced favourable results. There are still many factors to be resolved before a production decision can be reached. Camflo has a 33.3% interest in this project and also participates indirectly through its 15% shareholding in Lynx-Canada Explorations Limited which also has 33.3% interest.

An asbestos prospect near the town of Asbestos in the Eastern Townships of Quebec is being drilled currently. Camflo has optioned this property from the Quebecos Syndicate. The area is well known as a large source of asbestos for world industry and the optioned property is only 4,000 feet west of the Johns-Manville main Jeffrey deposit.

Participation in the Harman Syndicate continues. Camflo has an 18% assessable interest. Eight groups of claims containing zinc mineralization have been staked in the Bonnet Plume area of the Yukon, and a copper showing has been staked in the Redstone River area of the Northwest Territories. The syndicate is considering a uranium exploration programme for the current year.

Through a 22% assessable interest in the Cordex Syndicate, Camflo is participating in exploration programmes in the Western and Northwestern United States.

NATURAL GAS

Canada

Camflo's natural gas interests in Canada are located in east-central Alberta. Substantial increases in production are anticipated from reserves already established, as a result of construction of new production facilities, the expansion of existing processing plants, and from the continuing drilling programme.

Rising prices are likely to further augment earnings. In November 1975 the price for gas sold from our Alberta production was increased to approximately 97 cents per MCF as a result of pricing agreements between the Province and the Federal Government. Future pricing policy has not yet been announced by the Alberta Government and this will be subject to negotiations between Alberta, other provinces and the Federal Government. The general policy of the Alberta Government has been to relate the price of natural gas not only to the rising price of crude oil but to its commodity value, and further increases are anticipated.

Camflo's principal interest in natural gas is through joint venture agreements with Voyager Petroleum Limited. In the three years since the first agreement was signed, a total of 18 billion cubic feet of natural gas have been developed as Camflo's share. Some 13 billion cubic feet of this reserve is in the Killam area of Alberta where 66 wells have been drilled, of which 45 have been completed as producers. In 1976, the plan is to drill 40 wells in the continuing development of this 169,000 acre block. Camflo's interests in these lands range from 8½% to 16½%.

The Company's share of Killam area production is at the rate of approximately 15,000 MCF per month. The existing 850

horsepower gas plant is to be doubled in size to handle surplus well capacity for production expected to result from this year's development drilling.

A new plant, Iron Creek, is coming on stream about 10 miles northwest of the Killam plant. A duplicate of the Killam plant, it is expected to be in operation by mid-1976 and will be capable of delivering 7,000 MCF per day. The plant capacity will be increased to 12,500 MCF per day because of available well production capacity in the area. Camflo has a 16½% interest in Iron Creek.

Camflo has a 20.67% net working interest in 120,000 gross acres in the Holden and North Hamilton areas of east-central Alberta. As a result of drilling to date, working interests are held in 37 cased natural gas wells in these two areas. Developed reserves for Camflo are 4.9 billion cubic feet. Following development work to be carried out late in 1976, sales are expected to increase significantly from the 234,000 MCF accruing to Camflo in 1975.

United States

Camflo participates in 14 shallow gas wells in Louisiana and three oil and gas wells in Ohio. The Ohio wells started production in the third quarter of 1975 and have been averaging 1,000 barrels of oil and 3,000 MCF of gas monthly.

LA LUZ MINES LIMITED

Camflo Mines holds 774,600 shares or 49% of the issued share capital of La Luz Mines Limited and has an option to acquire a further 105,710 shares exercisable in the first quarter of 1980. Under pending agreements covering acquisition of coal interests by La Luz, Camflo's present interest would be reduced to 30%.

Gilbert Fuel operates two mines in Ohio. At Gilbert I, most of the production is sold to the Conesville generating station of Columbus and Southern Ohio Electric Company (CSOE). Deliveries are expected to increase to 40,000 tons monthly by July and to be maintained at that level.

At Gilbert II, a new mine is being developed. The State of Ohio has issued the first year's stripping permit. Production is expected to reach 40,000 tons per month by July, 1976 and discussions are underway with CSOE for a possible increase in their purchase rate to 60,000 tons monthly by early 1977 from Gilbert II.

The Crown City mine, which started production in September 1975, is being operated as a joint venture of La Luz and Gilbert Fuel pending completion of the acquisition. Increasing shipments are being made to Ohio Edison on a test basis. In March 1976, 25,753 tons were shipped. A sales agreement being finalized currently provides for shipments of 40,000 tons monthly to Ohio Edison commencing within the next few months.

Based on current shipments and anticipated sales agreements, La Luz coal operations in 1977 would be at the rate of 140,000 tons of coal monthly (1,680,000 tons annually) from these three surface mines in Ohio.

A wholly-owned subsidiary of La Luz owns part of a tungsten mine in California which is leased to Union Carbide until October 1981. In 1975, production averaged 9,400 tons monthly with a royalty to the La Luz subsidiary of \$1 a ton.

Consolidated Balance Sheet

December 31, 1975

(with comparative figures at December 31, 1974)

Assets	1975	1974
CURRENT ASSETS		
Cash and short term deposits	\$ 1,261,808	\$ 297,489
Bullion, at net realizable value (note 2)	2,211,429	2,632,432
Accounts receivable	100,888	16,295
Ore stockpile, at net realizable value	91,000	216,022
Mine operating supplies, at cost	706,951	582,393
Prepaid expenses and deposits	94,865	15,224
	<u>4,466,941</u>	<u>3,759,855</u>
INVESTMENTS (note 3)		
Effectively controlled company	3,653,108	3,687,048
Other companies	964,886	629,557
	<u>4,617,994</u>	<u>4,316,605</u>
FIXED ASSETS, at cost		
Buildings and equipment	5,547,223	4,716,262
Less accumulated depreciation	2,736,863	2,134,146
	<u>2,810,360</u>	<u>2,582,116</u>
Mining property	5,000	5,000
	<u>2,815,360</u>	<u>2,587,116</u>
OTHER ASSETS AND DEFERRED EXPENDITURES		
Mortgages receivable from employees	81,000	121,000
Preproduction expenditures, less amortization	90,393	108,472
Deferred exploration and development expenditures, less amortization ...	646,704	507,142
Deferred outside exploration expenditures	478,857	139,611
Interest in petroleum and natural gas properties, less depletion (note 4) .	2,717,230	1,350,162
	<u>4,014,184</u>	<u>2,226,387</u>
	<u>\$15,914,479</u>	<u>\$12,889,963</u>

CAMFLO MINES LIMITED

and its wholly owned subsidiary

Incorporated under the laws of Ontario

Liabilities	1975	1974
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 838,421	\$ 459,154
Taxes payable	786,676	564,786
	<u>1,625,097</u>	<u>1,023,940</u>
PROVISION FOR TERMINATION OF EMPLOYMENT	88,538	76,399
DEFERRED INCOME TAXES	<u>1,398,000</u>	<u>1,058,725</u>

Shareholders' Equity

CAPITAL STOCK (note 5)

Authorized — 5,000,000 shares, par value \$1 each		
Issued — 3,432,107 shares (1974, 3,427,107 shares)	3,432,107	3,427,107
Discount thereon (net)	1,750,380	1,772,880
	<u>1,681,727</u>	<u>1,654,227</u>
RETAINED EARNINGS	11,121,117	9,076,672
	<u>12,802,844</u>	<u>10,730,899</u>

Approved by the Board

A. W. Stollery, Director

G. T. Smith, Director

\$15,914,479

\$12,889,963

Contingent liabilities and commitments (note 6)

Consolidated Statement of Income

Year ended December 31, 1975 (with comparative figures for 1974)

	1975	1974
Bullion production	\$13,719,301	\$13,233,960
Revenue from natural gas interests	217,032	59,325
	<u>13,936,333</u>	<u>13,293,285</u>
Operating and administrative expenses other than items set out below	5,556,750	4,290,483
Quebec mining tax	1,150,000	1,275,000
Outside exploration expenditures written off	204,612	221,463
	<u>6,911,362</u>	<u>5,786,946</u>
	<u>7,024,971</u>	<u>7,506,339</u>
Depreciation.....	617,552	285,534
Amortization of preproduction expenditures	18,079	15,496
Amortization of deferred exploration and development expenditures	129,341	72,449
Amortization of interest in petroleum and natural gas properties	70,809	26,316
	<u>835,781</u>	<u>399,795</u>
	<u>6,189,190</u>	<u>7,106,544</u>
Share of income (loss) before extraordinary item of effectively controlled company	(33,940)	49,388
Interest and other investment income	244,649	286,307
Income before taxes and extraordinary item	<u>6,399,899</u>	<u>7,442,239</u>
Income taxes		
Current	2,300,000	2,050,000
Deferred.....	340,000	525,000
	<u>2,640,000</u>	<u>2,575,000</u>
Income before extraordinary item	3,759,899	4,867,239
Share of income tax reduction realized by effectively controlled company		35,770
NET INCOME	<u>\$ 3,759,899</u>	<u>\$ 4,903,009</u>
EARNINGS PER SHARE		
Income before extraordinary item	\$1.10	\$1.42
Net income	\$1.10	\$1.43

Consolidated Statement of Retained Earnings

Year ended December 31, 1975 (with comparative figures for 1974)

	1975	1974
BALANCE AT BEGINNING OF YEAR	\$ 9,076,672	\$ 6,572,038
Net income	3,759,899	4,903,009
	<u>12,836,571</u>	<u>11,475,047</u>
Dividends paid	1,715,454	2,398,375
BALANCE AT END OF YEAR	<u>\$11,121,117</u>	<u>\$ 9,076,672</u>

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1975 (with comparative figures for 1974)

	1975	1974
WORKING CAPITAL DERIVED FROM		
Operations		
Net income	\$ 3,759,899	\$ 4,903,009
Items not involving working capital		
Depreciation and amortization	835,781	399,795
Deferred income taxes	340,000	525,000
Provision (reduction in provision) for decline in market value of investment in other companies	(100,000)	100,000
Provision for termination of employment	12,139	13,537
Profit on sale of investments	(169,803)	
Share of (income) loss of effectively controlled company	33,940	(85,158)
Other	1,276	5,803
	<hr/> 4,883,035	<hr/> 5,692,183
Proceeds from sale of investments		1,409,131
Proceeds from sale of fixed assets	309	15,505
Proceeds from issue of capital stock	27,500	38,500
Receipts on mortgages receivable from employees	50,000	9,186
	<hr/> 4,960,844	<hr/> 7,164,505
WORKING CAPITAL APPLIED TO		
Additions to fixed assets	856,106	1,069,179
Interest in petroleum and natural gas properties	1,437,877	771,841
Deferred outside exploration expenditures	339,246	92,418
Dividends paid	1,715,454	2,398,375
Investment in effectively controlled company		3,601,890
Purchase of shares of other companies	227,329	750,008
Mortgages receivable from employees	10,000	105,000
Deferred exploration and development expenditures	268,903	210,848
	<hr/> 4,854,915	<hr/> 8,999,559
INCREASE (DECREASE) IN WORKING CAPITAL	105,929	(1,835,054)
WORKING CAPITAL AT BEGINNING OF YEAR	2,735,915	4,570,969
WORKING CAPITAL AT END OF YEAR	<hr/> \$ 2,841,844	<hr/> \$ 2,735,915

Notes to Consolidated Financial Statements

Year Ended December 31, 1975

1. Summary of Significant Accounting Policies

(a) Basis of consolidation

These financial statements include the accounts of the company and its wholly owned subsidiary C.M.L. Inc., a company incorporated under the laws of the State of Delaware, U.S.A. for the purpose of carrying out resource exploration in that country. The company follows the equity method of accounting, including in earnings its share of the earnings and losses of La Luz Mines Limited of which it owns 49% of the issued shares.

(b) Bullion

Bullion is reflected in the accounts at its actual net settlement value and/or at its estimated net realizable value less amounts received in advance pending final bullion settlement.

(c) Depreciation, depletion and amortization

The company provides for depreciation on its mine assets and amortization on preproduction and deferred exploration and development expenditures on a straight-line basis over the estimated remaining life of the mine, as determined by proven ore reserves established from time to time. Other assets are being depreciated on a straight-line basis at a rate of 20% per annum.

Expenditures on mineral exploration programmes are deferred on a specific project basis until the viability of the project is determined. If a project is discontinued, the accumulated project costs are charged to income. If a project is developed, the related accumulated costs are amortized against future income from that project.

The company follows the full cost method of accounting for gas operations whereby all costs related to the exploration for and development of gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expense, carrying charges on non-producing property and costs of drilling both productive and unproductive wells. Proceeds received on disposal of properties are credited against such costs. Depletion is provided on the net costs using the composite unit of production method based on total reserves of gas.

(d) Income and mining taxes

The company charges earnings with income taxes currently payable and also with income taxes deferred as a result of claiming depreciation, amortization and depletion for tax purposes differing from amounts provided in the accounts. The accumulated total of such income tax deferments is reflected in the consolidated balance sheet as "Deferred income taxes".

2. Bullion

That portion of the bullion for which actual settlements have not been made is valued at estimated net realizable value,

using a value for gold of \$130 per ounce (1974, \$178 per ounce).

3. Investments

(a) Investment in effectively controlled company

In 1974 the company acquired for cash 774,600 shares of La Luz Mines Limited, being 49% of the issued shares of that company. The investment is accounted for on the equity basis as follows:

	1975	1974
Cost of shares	\$3,601,890	\$3,601,890
Equity in earnings since acquisition	51,218	85,158
Balance at December 31	<u>\$3,653,108</u>	<u>\$3,687,048</u>

The company has an option to purchase an additional 105,710 shares of La Luz Mines Limited at \$4.65 per share at any time between January 1 and March 31, 1980.

(b) Investment in shares of other companies

	1975	1974
Cost	\$ 964,886	\$ 729,557
Allowance for decline in value	100,000
	<u>\$ 964,886</u>	<u>\$ 629,557</u>
Quoted market value	<u>\$ 918,860</u>	<u>\$ 620,000</u>

4. Interest in Petroleum and Natural Gas Properties

Canada

Pursuant to a farmout agreement with Voyager Petroleums Limited the company has earned working interests varying from 8% to 21% in approximately 290,000 acres located in east-central Alberta.

U.S.A.

The company and its subsidiary have provided the cost of drilling 14 natural gas wells in Louisiana, and 3 oil and natural gas wells in Ohio.

Details are as follows:

	1975	1974
Canada		
Cost	\$1,912,355	\$1,096,509
Deduct depletion	74,125	26,316
	<u>1,838,230</u>	<u>1,070,193</u>

U.S.A.

Cost	902,000	279,969
Deduct depletion	23,000	
	<u>879,000</u>	<u>279,969</u>
	<u>\$2,717,230</u>	<u>\$1,350,162</u>

5. Capital Stock

At December 31, 1975 the following options granted to eleven employees to purchase 100,000 shares of the company were outstanding:

Number of Shares	Option Price	Date of Expiry
7,000	\$ 5.50	March, 1976
93,000	12.00	November, 1977
<u>100,000</u>		

Options expiring November, 1977 are exercisable on a cumulative basis of 31,000 shares each year.

During 1975, options were exercised on 5,000 shares at \$5.50 per share for a total consideration received of \$27,500.

6. Contingent Liabilities and Commitments

(a) The company has guaranteed bank loans of up to \$7,000,000 relating to coal mining operations in the United

States and has hypothecated certain short term deposits in respect thereof.

(b) A writ was served on the company in 1971 alleging certain wrongful acts and claiming damages of \$1,330,000. The company contends that such allegations are unfounded.

(c) The company has made commitments to spend approximately \$400,000 for exploration programmes in 1976.

7. Anti-Inflation Programme

Under the federal anti-inflation legislation enacted effective October 14, 1975 dividends the company may pay to its shareholders are limited to a maximum of 70¢ per share during the year ending October 13, 1976, the first year of the programme.

8. Other Statutory Information

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act) amounted to \$319,273 (1974, \$240,143).

Auditors' Report

To the Shareholders of
Camflo Mines Limited

We have examined the consolidated balance sheet of Camflo Mines Limited and its wholly owned subsidiary as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 2, 1976

Thorne Riddell & Co.,
Chartered Accountants

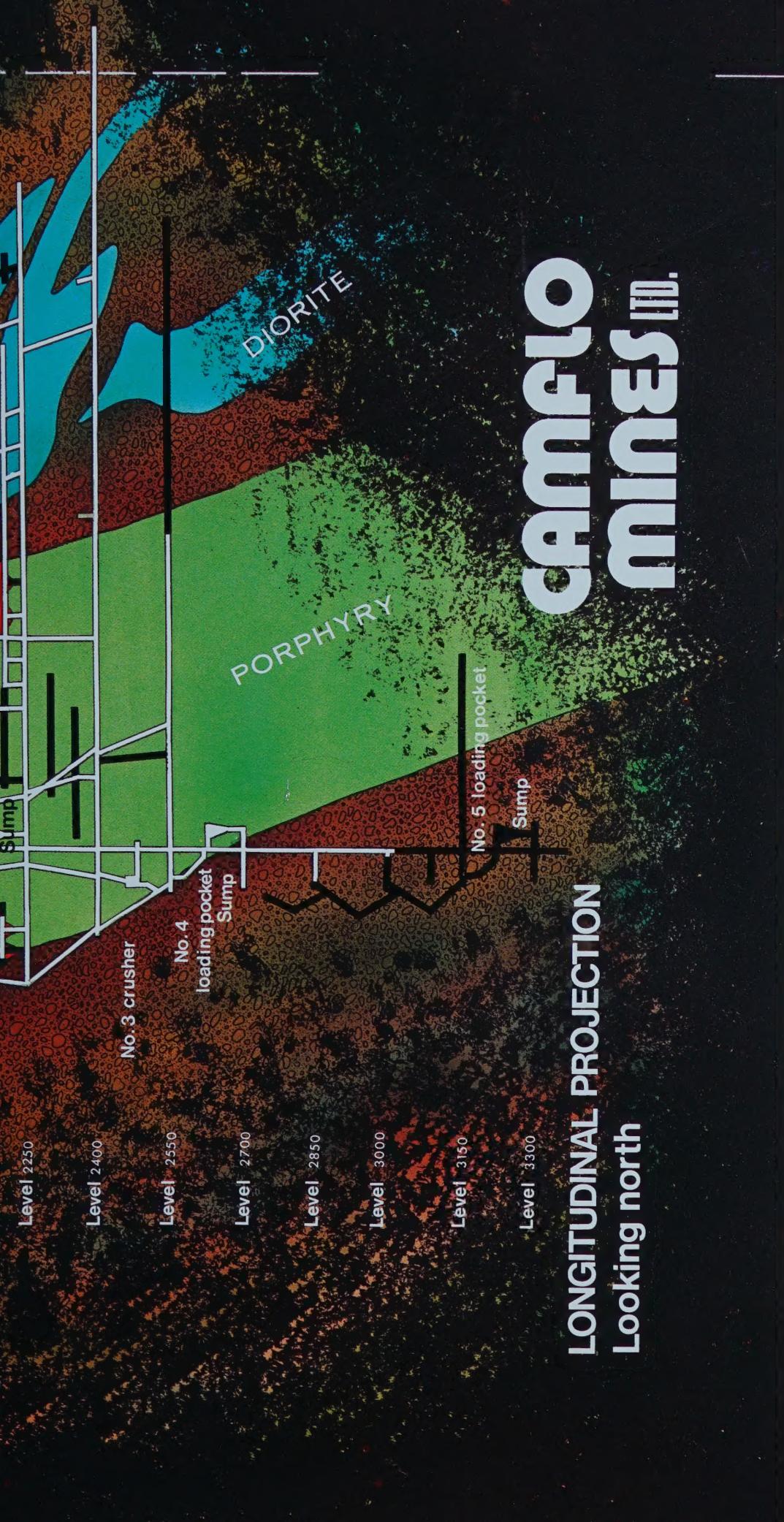
TEN-YEAR COMPARATIVE SUMMARIES OF PRODUCTION AND FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS	1975	1974	1973
Gross Value of Bullion Production	\$13,719,301	\$13,233,960	\$10,548,373
Est. Average Gold Price Received (per ounce)	\$ 155.00	\$ 162.00	\$ 107.39
Operating and Administration Expenses	\$ 5,556,750	\$ 4,290,483	\$ 3,160,023
Depreciation and Amortization	\$ 835,781	\$ 399,795	\$ 293,685
Provision for Income Taxes (net)	\$ 2,640,000	\$ 2,575,000	\$ 2,025,000
Net Income	\$ 3,759,899	\$ 4,903,009	\$ 4,492,676
Net Income Per Share	\$ 1.10	\$ 1.43	\$ 1.31
Cash Flow	\$ 4,883,035	\$ 5,692,183	\$ 5,061,361
Cash Flow Per Share	\$ 1.42	\$ 1.66	\$ 1.48
Dividends Paid	\$ 1,715,454	\$ 2,398,375	\$ 1,705,554
Dividends Paid Per Share	\$ 0.50	\$ 0.70	\$ 0.50
FINANCIAL POSITION (at year end)			
Working capital (deficiency)	\$ 2,841,844	\$ 2,735,915	\$ 4,570,969
Fixed Assets (net)	\$ 2,810,360	\$ 2,582,116	\$ 1,819,779
Other Assets and Deferred Charges	\$ 4,014,184	\$ 2,226,387	\$ 1,169,727
Total Assets	\$15,914,479	\$12,889,963	\$10,259,688
Shareholders' Equity	\$12,802,844	\$10,730,899	\$ 8,187,765
Shares Outstanding	3,432,107	3,427,107	3,420,107
Share Price High/Low	\$15.50/7.75	\$23.25/9.37	\$14.00/3.90
PRODUCTION HIGHLIGHTS			
Tons of Ore Milled	456,123	377,521	389,622
Recovered Grade (oz./ton)	0.194	0.216	0.251
Ounces Gold Recovered	88,568	81,589	98,228
Ore Reserves (at year end)	2,725,450	3,008,000	2,631,350
Average Grade (oz./ton)	0.182	0.190	0.220
Mine Operating Costs — per Ton Milled	\$ 10.66	\$ 10.12	\$ 7.55
— per Ounce Recovered	\$ 55.00	\$ 46.70	\$ 29.71

1972	1971	1970	1969	1968	1967	1966
\$5,982,850	\$3,771,978	\$3,331,112	\$3,729,869	\$3,787,957	\$3,666,217	\$2,880,699
\$ 59.77	\$ 41.19	\$ 36.64	\$ 43.32	\$ 41.35	\$ 37.82	\$ 37.55
\$2,581,980	\$2,160,125	\$2,244,857	\$2,415,438	\$2,334,801	\$2,176,038	\$1,726,762
\$ 509,608	\$ 480,921	\$ 616,011	\$ 525,803	\$ 439,785	\$ 379,241	\$ 348,953
\$ 638,000	\$ 315,000	\$ 64,725	—	—	—	—
\$2,051,377	\$ 800,759	\$ 668,510	\$ 786,516	\$ 933,678	\$ 980,035	\$ 686,704
\$ 0.60	\$ 0.23	\$ 0.20	\$ 0.23	\$ 0.27	\$ 0.29	\$ 0.20
\$2,448,985	\$1,587,680	\$1,349,246	\$1,311,531	\$1,373,463	\$1,359,276	\$1,035,657
\$ 0.72	\$ 0.47	\$ 0.40	\$ 0.39	\$ 0.40	\$ 0.40	\$ 0.31
\$ 682,221	\$ 341,111	\$ 341,111	\$ 341,061	\$ 511,216	\$ 681,221	—
\$ 0.20	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.15	\$ 0.20	—
 2,271,503	\$1,203,596	\$ 684,962	(\$ 46,791)	(\$ 509,462)	\$ 13,663	(\$ 79,866)
1,748,274	\$1,860,481	\$2,161,101	\$2,406,686	\$2,211,066	\$1,164,876	\$ 820,808
540,651	\$ 584,855	\$ 530,539	\$ 785,431	\$1,044,037	\$1,137,340	\$1,273,322
6,712,167	\$4,400,303	\$3,766,657	\$3,919,395	\$4,122,074	\$2,791,658	\$2,688,236
5,351,143	\$3,856,987	\$3,522,339	\$3,194,940	\$2,840,841	\$2,411,379	\$2,149,647
3,411,107	3,411,107	3,411,107	3,411,107	3,408,107	3,406,107	3,396,607
5.45/2.39	\$3.90/2.22	\$3.60/2.05	\$7.75/2.85	\$6.75/3.65	\$4.15/2.25	\$4.50/3.05
 380,682	377,774	374,580	386,449	362,734	366,419	265,950
0.263	0.243	0.243	0.223	0.253	0.264	0.289
100,101	91,684	90,913	86,096	91,608	96,855	76,719
2,247,000	1,946,460	2,174,000	2,109,000	1,715,303	2,078,037	2,040,665
0.231	0.245	0.241	0.224	0.249	0.250	0.253
6.27	\$ 5.45	\$ 5.71	\$ 5.77	\$ 6.04	\$ 5.71	\$ 6.26
23.84	\$ 22.50	\$ 23.53	\$ 25.88	\$ 23.93	\$ 21.62	\$ 21.57

NOTES During the period from the inception of production up to and including 1971, the Company received varying amounts of cost-aid under the Emergency Gold Mining Assistance Act. Cost-aid for those years was included in calculating the Operating Profit, Cash Flow from Operations and Net Income. The following are the yearly amounts received in this period from 1965 to 1971, respectively: \$127,379; \$43,590; \$5,650; \$40,000; \$90,000; \$367,000; and \$71,000.





camflo
mines™

LONGITUDINAL PROJECTION
Looking north



Rolland MacDonald runs the 10' diameter surface hoist.



Bob Young, assayer, removes a sample from the electric furnace.

